United Nations A/56/89–E/2001/89

General Assembly
Economic and Social Council

Distr.: General
22 June 2001

Original: English

General Assembly
Fifty-sixth session
Items 21 (e) and 53 of the preliminary list*

Strengthening of the coordination of humanitarian and disaster relief assistance of the United Nations including special economic assistance: assistance to the Palestinian people

Question of Palestine

Economic and Social Council
Substantive session of 2001
2-27 July 2001
Item 9 of the provisional agenda**

Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples by the specialized agencies and the international institutions associated with the United Nations

Letter dated 19 June 2001 from the Chairman of the Committee on the Exercise of the Inalienable Rights of the Palestinian People addressed to the Secretary-General

I have the honour to draw your attention to the Seminar on Assistance to the Palestinian People, convened by the Committee on the Exercise of the Inalienable Rights of the Palestinian People in accordance with General Assembly resolutions 55/52 and 55/53 of 1 December 2000. The Seminar was held on 20 and 21 February 2001 at the United Nations Office at Vienna.

The purpose of the Seminar was to review the state of the Palestinian economy and to examine efforts under way by Governments and intergovernmental and civil society organizations to alleviate the current humanitarian emergency. The Seminar also aimed at mobilizing greater support for the attainment of the legitimate economic rights of the Palestinian people, thus contributing to the broader peace-building efforts in the region.

The Seminar was attended by donor and other Governments, intergovernmental organizations and entities of the United Nations system, representatives of Palestine, and non-governmental organizations active in the field, as well as experts. The Committee considers that the Seminar was a useful gathering and contributed to intensified international efforts to provide humanitarian assistance, in order to meet the emergency needs of the Palestinian people. It called upon the donors to disburse, on an urgent basis, the necessary funds for addressing the serious fiscal crisis of the Palestinian Authority. It called on the Occupying Power to abide by its obligations under international law and to immediately

* A/56/50.
** E/2001/100.

01-42299 (E) 030701

terminate its measures of collective punishment, which have caused grave loss of life and serious destruction of Palestinian properties, livelihood and infrastructure.

I have the honour to attach, for your information, the report of the Seminar (annexed). I should be grateful if you would have the text of the present letter, together with the report, circulated as a document of the fifty-sixth session of the General Assembly, under items 21 (e) and 53 of the preliminary list, and of the Economic and Social Council, under item 9 of the provisional agenda.

(*Signed*) Ibra Deguène **Ka**
Chairman
Committee on the Exercise of the Inalienable
Rights of the Palestinian People

Annex

Report of the United Nations Seminar on Assistance to the Palestinian People, held at United Nations Office at Vienna on 20 and 21 February 2001

CONTENTS

		Paragraphs	*Page*
I.	Introduction	1-40	3
	A. Organization of the Seminar	1	3
	B. Participation	2-12	3
	C. Agenda	13-14	5
	D. Opening of the Seminar	15-40	5
II.	Summary of the panels	41-81	10
	Panel I. The crisis of 2000-2001: the impact of Israeli policies on the Palestinian economy	41-46	10
	Panel II. The role of United Nations system: assessment and efforts to alleviate hardships	47-58	12
	Panel III. Assistance by Arab and Islamic States and intergovernmental organizations to the Palestinian people	59-64	16
	Panel IV. Efforts by international donors and other sectors of the international community to alleviate the economic hardships of the Palestinian people	65-81	17
III.	Closing session	82-86	24
Annex.	Statement by the delegation of the Committee on the Exercise of the Inalienable Rights of the Palestinian People		25

I. INTRODUCTION

A. Organization of the Seminar

1. The United Nations Seminar on Assistance to the Palestinian People was convened by the Committee on the Exercise of the Inalienable Rights of the Palestinian People in accordance with its mandate to promote international support for and assistance to the Palestinian people.

B. Participation

2. The Seminar was attended by representatives of 73 Governments, Palestine, 4 intergovernmental organizations, 9 United Nations bodies, as well as representatives of 25 non-governmental organizations (NGOs). Thirteen speakers made presentations in four panels.

3. Seminar participants were informed that four official Palestinian speakers of the Seminar and a number of NGO participants from the Occupied Palestinian Territory were unable to travel to Vienna owing to the general closure imposed by Israel. The four speakers were Maher Masri, Minister for Economy and Trade of the Palestinian Authority; Hassan Abu Libdeh, President of the Central Bureau of Statistics of the Palestinian Authority; Mohammad Shtayyeh, Managing Director of the Palestinian Economic Council for Development and Reconstruction; and Ghania Malhis, Director of the Palestine Economic Policy Research Institute. The Committee delegation noted with utmost concern the fact that the participants would be deprived of the first-hand experience of the invited high-ranking officials and their assessment of the economic situation at a time of severe economic crisis and issued a statement denouncing the illegal actions of the Occupying Power (see annex). The Permanent Observer of Palestine to the United Nations (Vienna), Faisal Aweidah, represented Palestine in the framework of the Seminar, and M. Nasser Al-Kidwa, Permanent Observer of Palestine to the United Nations, delivered the keynote address. Maher Masri, Mohammad Shtayyeh and Ghania Malhis submitted papers to the Seminar, which were distributed to the participants. Also, a recent report prepared by the Central Bureau of Statistics of the Palestinian Authority was before the participants.

4. The Committee on the Exercise of the Inalienable Rights of the Palestinian People was represented by a delegation comprising Ibra Deguène Ka (Senegal), Chairman; Bruno Rodríguez Parrilla (Cuba), Vice-Chairman; Walter Balzan (Malta), Rapporteur; André Erdös (Hungary); and M. Nasser Al-Kidwa (Palestine).

5. Invitations to participate in the Seminar were extended to Governments, intergovernmental organizations, organizations and agencies of the United Nations system and non-governmental organizations. A number of experts were invited to make presentations at the Seminar.

6. The following Governments were represented at the Seminar: Afghanistan, Algeria, Angola, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Brazil, Burkina Faso, Cape Verde, China, Colombia, Cuba, Cyprus, Denmark, Ecuador, Egypt, Finland, France, Germany, Greece, Guatemala, Holy See, Hungary, India, Indonesia, Islamic Republic of Iran, Iraq, Ireland, Italy, Japan, Jordan, Kenya, Kuwait, Kyrgyzstan, Lebanon, Luxembourg, Malaysia, Malta, Mexico, Morocco, Namibia, Netherlands, Norway, Oman, Pakistan, Philippines, Poland, Portugal, Republic of Korea, Republic of Moldova, Russian Federation, Saudi Arabia, Slovakia, Slovenia, South Africa, Spain, Sudan, Switzerland, Syrian Arab Republic, Thailand, the former Yugoslav Republic of Macedonia,

Tunisia, Turkey, Ukraine, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, Uruguay, Venezuela, Viet Nam, Yemen and Zimbabwe.

7. The delegation of Palestine took part in the work of the Seminar.

8. The following organizations, agencies and other entities of the United Nations system participated in the Seminar: Office of the United Nations Special Coordinator in the Occupied Territories (UNSCO); Office for the Coordination of Humanitarian Affairs (OCHA); Economic and Social Commission for Western Asia (ESCWA); United Nations Conference on Trade and Development (UNCTAD); United Nations Development Programme (UNDP); United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA); World Health Organization (WHO); United Nations Industrial Development Organization (UNIDO) and International Monetary Fund (IMF).

9. The following intergovernmental organizations were represented at the Seminar: Asian-African Legal Consultative Committee; European Union; League of Arab States (LAS) and Organization of the Islamic Conference (Organization of the Islamic Conference).

10. The delegation of the Sovereign Order of Malta also took part in the work of the Seminar.

11. The following non-governmental organizations participated as observers in the Seminar: Afro-Asian Peoples' Solidarity Organization; Al Mezan Center for Human Rights; All-Africa Students Union; American-Arab Anti-Discrimination Committee; Arab Lawyers Union; Arab Organization for Human Rights; Catholic Committee against Hunger and for Development; Commission of the Churches on International Affairs of the World Council of Churches; Council for the Advancement of Arab-British Understanding; Danish-Palestine Friendship Association; European Coordinating Committee for NGOs on the Question of Palestine, Association Belgo-Palestinienne; Federation for Peace and Conciliation; Gush Shalom; International Development Research Center, Middle East and North Africa Regional Office; International Progress Organization; Middle East Questions Forum; Near East Foundation; Norwegian Association of NGOs for Palestine; Spanish NGO Committee on the Question of Palestine; and Young Women's Christian Association of Jerusalem.

12. The following experts presented papers: Wahid Abdelwahab, Senior Project Officer, Islamic Development Bank (IDB), Jeddah; Abdelaziz Aboughosh, Assistant Secretary-General, OIC, Jeddah; Ziad Asali, Chief Operating Officer, American-Arab Anti-Discrimination Committee, Washington, D.C.; Nader Atta, Programme Management Officer, UNDP Programme of Assistance to the Palestinian People, Jerusalem; Aline Batarseh, Communications Officer, World Vision, Jerusalem; Matthias Burchard, Economic Adviser to the Special Representative of the European Union to the Middle East Peace Process, Brussels; Salam K. Fayyad, Senior Resident Representative, IMF, West Bank and Gaza; Gil Feiler, Executive Director, Info-Prod Research (Middle East) Ltd., Ramat Gan; Franz-Josef Homann-Herimberg, Special Adviser to the Emergency Relief Coordinator, OCHA, United Nations Office at Geneva; Said Kamal, Assistant Secretary-General for Palestine Affairs, LAS, Cairo; Roby Nathanson, Chairman, Israeli Institute for Economic and Social Research, Tel Aviv; Francis Okelo, Deputy Special Coordinator, UNSCO, Gaza; and D. S. Wijewardane, General Counsel, UNRWA, Gaza.

C. Agenda

13. The purpose of the Seminar was to review the state of the Palestinian economy and to examine efforts under way by Governments, intergovernmental and civil society organizations at alleviating the current humanitarian emergency. The Seminar also aimed at mobilizing greater support for the attainment of the legitimate economic rights of the Palestinian people, thus contributing to the broader peace-building efforts in the region.

14. At the opening session and during the course of the four panel discussions, the participants addressed the following issues in depth:

(a) The crisis of 2000-2001: the impact of Israeli policies on the Palestinian economy;

(b) The role of the United Nations system: assessment and efforts to alleviate hardships;

(c) Assistance by Arab and Islamic States and intergovernmental organizations to the Palestinian people;

(d) Efforts by international donors and other sectors of the international community to alleviate the economic hardships of the Palestinian people.

D. Opening of the Seminar

15. At the opening session, a statement was made on behalf of the Secretary-General of the United Nations by his representative, Kieran Prendergast, Under-Secretary-General for Political Affairs. Albert Rohan, Secretary-General of the Austrian Ministry of Foreign Affairs made a statement on behalf of the Foreign Minister, Benita Ferrero-Waldner. Statements were also made by Ibra Deguène Ka, Chairman of the Committee on the Exercise of the Inalienable Rights of the Palestinian People, and Faisal Aweidah, Permanent Observer of Palestine to the United Nations (Vienna).

16. In his statement, the Secretary-General expressed concern over the deepening spiral of violence in Israel and the Occupied Palestinian Territory and appealed to all concerned to exercise maximum restraint to prevent further escalation. Although senior Israeli and Palestinian negotiators had made progress on some core issues such as refugees, Jerusalem, borders and security, the dramatic upheavals of the past several months and the tragic loss of life had underlined the urgency of reaching a comprehensive, just and lasting solution to the question of Palestine.

17. The Secretary-General commended the international community for providing, over the years, significant economic assistance to the Palestinian people, resulting in some improvement in living conditions. However, there had been a worrying decline in both new commitments and reimbursements. Events since September 2000 had damaged the Palestinian economy and reversed the economic recovery and progress. Repeated border and internal closures had led to a dramatic deterioration in the living conditions of the Palestinians, whose economy was largely dependent on that of Israel. Border closures and other restrictive measures deprived the Palestinian Authority of necessary financial resources and further aggravated the serious economic and social crisis in the Occupied Territory. Concerned about the capacity of the Palestinian Authority to continue to function, the Secretary-General had raised the matter with Prime Minister-elect Ariel Sharon, as well as other

international leaders, including United States Secretary of State Colin Powell and European Commission President Prodi. He had also instructed his Personal Representative to the Palestine Liberation Organization and the Palestinian Authority, the United Nations Special Coordinator for the Middle East Peace Process, Terje Rød-Larsen, to undertake wide-ranging and urgent consultations with a view to preventing such a destabilizing outcome.

18. The Secretary-General deplored that the current urgent requirement for humanitarian and relief assistance had taken precedence over medium- and long-term development needs. Stressing the United Nations leading role in alleviating the hardships of the Palestinian people, he called for international support to agencies such as UNRWA, UNDP and many others so that they could continue their work in the region, adjusting the focus of their activities as required by the circumstances. Donor assistance was especially vital now. The international community must intensify its efforts to support and assist the Palestinian people, until a comprehensive, just and lasting settlement of the question of Palestine was achieved. The United Nations family would continue to stand by the parties in their efforts to bring peace and stability to the region.

19. The Secretary-General expressed regret that the invited Palestinian speakers, including high-ranking officials of the Palestinian Authority, were unable to come to Vienna, owing to the closures and travel restrictions. That further illustrated the urgent need to normalize the situation.

20. The Secretary-General of the Austrian Ministry of Foreign Affairs said that during the past summer the international community had looked forward to an agreement on the status of the Palestinians but that hope had faded. The priority now was that all violence cease, negotiations resume and that the agreements of Sharm el Sheik be implemented. His Government deplored the provocation that had occurred at Al Haram Al Sharif, the subsequent violence in the territories occupied by Israel and the excessive use of force against Palestinians. The utmost effort was needed to alleviate the pressure on the civilian population. European Union partners were taking urgent measures to that effect. It was in Israel's interest that such aid be given.

21. He said the basic elements of a peaceful settlement remained unchanged and were spelled out in United Nations resolutions and the Madrid and Oslo agreements. Stressing the fundamental role that the United Nations played in the peace process, he paid special tribute to UNRWA, which had provided humanitarian aid and the basis for the development for the Palestinian people under difficult conditions. The computerization of the register of land ownership represented a useful contribution in the perspective of a settlement of the refugee question in accordance with General Assembly resolution 194 (III) of 11 December 1948. The United Nations had a vital part to play in finding a lasting solution. The Secretary-General was personally engaged and his decisive role at Sharm el Sheik had been internationally commended.

22. He continued that Austrian emphasis had shifted to development cooperation. Significant results had been achieved in aid projects, which included constructing low-cost housing, providing access to primary health care for poorer residents in the Old City of Jerusalem, establishing an environmental data bank aimed at the best use of land and water resources to be used by Palestinians for planning purposes, constructing a water desalination plant in the Gaza Strip and medical help to victims of the current violence. An important goal had been to promote cooperation between Austrian and Palestinian institutions.

23. The Chairman of the Committee on the Exercise of the Inalienable Rights of the Palestinian People emphasized that the Palestinian people in the Occupied Palestinian Territory were in serious crisis. The current period of protracted hardship and violence had been disastrous for the Palestinian economy as a whole and for the living standards of individual Palestinians. Jobs and markets in Israel had become inaccessible, tourists had been frightened away by the violence, food crops had been razed and fields were blocked out of reach and armed settlers and Israeli soldiers were attacking unarmed Palestinians with impunity. Palestinians now had to struggle for their survival, rather than work for long-term development and prosperity. Infrastructure had been intentionally destroyed and development projects had to be abandoned or frozen indefinitely. He expressed particular concern over the Bethlehem 2000 project launched in 1997 by the Palestinian Authority to restore many religious and historical sites, rebuild infrastructure and prepare the city of Bethlehem for the millennium celebrations. The recent violence had wiped out many accomplishments, damaged the newly repaired infrastructure of the city and, above all, frightened away pilgrims.

24. He said that the Committee's essential mission was to promote a peaceful settlement of the question of Palestine. The vicissitudes of the peace process, however, were not cause for optimism. Today, the immediate needs of the Palestinians must be the primary concern. The international community had to help them survive the current critical period so that they could eventually return to the road of economic recovery and development. The priority must be to address immediate humanitarian, economic and social problems. The international community must become more aware of the increasing difficulties confronting the Palestinian economy and of the precarious living conditions of thousands of Palestinians. The improvement of living conditions in the Palestinian territory, the establishment of cooperative relationships and business partnerships throughout the region and the promotion of regional development were the only foundations for a peace that would benefit all the peoples of the region, Arab and Israeli.

25. He continued that the Palestinian Authority was still denied control over key resources such as land and water and direct access to external markets. A large share of its budget came from transfers of taxes and custom duties levied by Israel and the Palestinians' economic dependence became even more evident when relations worsened. In recent months, the Palestinian Authority faced increasing problems in administering education, health care and other basic services, in maintaining public law and order and in trying to develop the economy and build Palestinian institutions. It was fortunate that, in all those efforts, the Palestinian Authority had the international donor community at its side.

26. The representative of Palestine, speaking on behalf of the Minister for Economy and Trade of the Palestinian Authority, deplored that the Palestinian delegation coming from the Occupied Palestinian Territory had been prevented from participating in the Seminar. He recalled that the United Nations had sent a commission to investigate the violence. The violence was the occupation of the Palestinian territory for the last 50 years. At the current stage, the violence was beyond anyone's conception. It was not only violence but also state terrorism. He reminded participants that the Prime Minister of Israel had congratulated the Israeli army for assassinating a Palestinian official.

27. He expressed appreciation for the assistance received from donor countries, but added that whatever they had done had been destroyed in the previous six months. Israel had completely reversed international efforts to support Palestinian development. He demanded that the Security Council act seriously and in the same manner that it had acted in Bosnia and Herzegovina and other countries.

The Palestinian people were suffering and not just economically. They were struggling for survival. Describing the actual situation he said that last night, no one slept as all the Palestinian cities were being bombarded.

28. He said if Israel wanted to survive as a nation in the Middle East, it had to agree to peace. Palestinians had accepted that 78 per cent of their territory be given to Israel to become a State. Still they wanted more land. It was the duty of the United Nations as a whole to seriously implement Security Council resolution 242 (1967) of 22 November 1967 for the complete withdrawal of Israel from the territories occupied since 1967.

29. The representative of Malaysia said the international community remained concerned about the systematic breaches of the Fourth Geneva Convention by Israel. His Government deplored all forms of violence and condemned the excessive use of force by Israel and its prohibitions on the movement of goods and people. The United Nations had an important role to play in the implementation of its own resolutions and must continue to support development in the Palestinian territories. UNRWA must be provided with sufficient resources. The United Nations must ensure the inalienable rights of the Palestinian people, primarily their right to self-determination. The Government of Malaysia had established a special fund to help the Palestinian people and had increased its contribution to UNRWA. It had also provided technical assistance in programmes that included educational scholarships and pilot training.

30. The representative of China stressed that the international community should fulfil its responsibility to help the Palestinian Authority to overcome the economic difficulties and improve living conditions. Providing assistance to the Palestinian people would help to relieve their difficult situation and promote peace talks. China, as a permanent member of the Security Council, had consistently supported the Middle East peace process and had been actively involved in mediation with both sides. It had given political and moral support as well as economic assistance and had participated in the rebuilding of the Palestinian self-rule area through bilateral and multilateral channels.

31. The representative of Indonesia said that over the past seven years the Palestinians had shown determination in transforming the Territory into a land of investment and growth. Now more than ever, assistance was needed to overcome the obstacles and difficulties presented by Israel. It was inconceivable that an entire nation could be subjected to such enormous suffering and dislocation. Israel's actions violated numerous international humanitarian laws, including the Fourth Geneva Convention. It was time for Israel to cease its untenable actions. The Palestinians had engaged in painstaking negotiations with the Government of Israel. He commended them for their efforts to attain a just and lasting peace. The United Nations had an essential role to play in the Middle East peace process and the efforts of its agencies in the Middle East must be enhanced.

32. The representative of Turkey said violence only served the interest of the enemies of peace. His Government had approved a contribution to UNRWA, where Turkey was a member of the Working Group for Financing, and had allocated additional funds to help the Palestinian people. It had provided medical assistance to the victims of the recent violence. He hoped the international community would honour its economic and financial commitments to the Palestinians. He supported the establishment of a lasting peace in the area that could only be achieved through constructive negotiations on the basis of relevant United Nations resolutions.

33. The representative of Algeria said his Government supported the United Nations and all of its various organs in their effort to help establish a just and lasting peace in Palestine. Without the exercise of all the legitimate rights of the Palestinian people, including the establishment of its own independent State, there would be no peace in the Middle East. The Palestinians and others were aware of the contributions that the Algerians were making. It was not necessary to be proud of such help as it was a duty. His Government was ready to continue to make its contribution to mitigate the suffering of the Palestinian people.

34. The representative of the Russian Federation said the tragic events of the last months had shown that the financial and other means made available for Palestinian development were to little avail if the underlying roots of the conflict were not being solved. The task of the international community was to speak firmly in favour of the continuation of the peace process. It must do whatever it could to ensure the continuation of the negotiations and to contain the violence. He said that the Russian Federation was ready to make every effort to support the process. It would participate in joint efforts, including with the United States as the other co-sponsor, to reach that goal.

35. The representative of LAS, speaking on behalf of the Secretary-General of the Arab League, said the core of the problem was represented by the negative Israeli attitude towards the achievement of a comprehensive peace and the implementation of signed agreements. To achieve peace and stability, the Palestinian people must be protected and the Israeli crimes against them should be brought before the International Criminal Tribunal. In view of the recent deterioration of the situation, at its Cairo summit the League had assured its support to the Palestinian people in their intifada and had set up two funds; the Intifada al-Quds Fund and the Al-Aqsa Fund. He recalled that the recent meetings of the Arab Economic and Social Council in February 2001 had discussed in detail the economic circumstances of the Palestinian people and their need for assistance. He appealed to States and international organizations to apply economic sanctions against products from Israeli settlements.

36. The representative of Egypt expressed his country's unwavering support for the Palestinian people. He deplored the destruction of the Palestinian economy. His Government would spare no effort to achieve a just and lasting peace for the Palestinian people. He expressed appreciation for the Committee's unrelenting efforts in the cause of the Palestinians. In view of the current situation, greater resources were needed for all levels of Palestinian development. It was the responsibility of all members of the international community to take the necessary measures to achieve that objective.

37. The representative of Morocco said his Government found the situation in which the people in the Palestinian territory lived to be intolerable. It was the task of the international community to bring pressure to bear on Israel so that it ceased to nourish its arrogance and mistrust of others.

38. The representative of the OIC, speaking on behalf of the Secretary-General of OIC, reaffirmed his organization's support for the Palestinian people and their efforts to achieve their inalienable rights. He said the undermining of the infrastructure, the destruction of houses and mosques, sealing of towns and villages and confiscation of tax revenues and customs had caused untold damage to the Palestinian economy. The international community should have intervened and brought an end to those actions and helped the people to overcome the vicious aggression. The principal activities of the Islamic Conference were to support the Palestinian people and their intifada. Two funds had been established to that end. He deplored that the suffering of the Palestinian people was increasing on a daily basis.

At present more than any time before, the international community must stop the Israeli aggression, protect the Palestinian people and insist that the Israeli Government implement the Security Council's resolutions, enabling the Palestinian people to restore their inalienable rights, including their right to return to their land.

39. The Executive Secretary of ESCWA said the report compiled by UNSCO had estimated the loss of the Palestinian economy at $1.5 billion. ESCWA also followed the repercussion of the Israeli occupation on the Palestinians. The last finding for the year 2000 indicated that the occupation had year after year affected the lives and livelihood of Palestinians, severely restricting the growth of the Palestinian community. Land was still being taken over by Israel. Tension and uncertainty aggravated by the restrictions on the movements of goods constituted another factor in the deterioration of the economic situation. Restrictions on access to water constituted a growing health problem. She said that ESCWA was the only United Nations entity where the Palestinians enjoyed full membership. She described the agency's activities and said that meetings, information dissemination, training programmes and publications had been used to raise the different issues of Palestinian development. The annual survey on economic and social development covered the West Bank and Gaza. The causes and effects of inflation and the impact of European partnership were subject for research. The agency was committed to the greater well-being of the Palestinian people and was all the more determined to assist them as they faced greater deterioration in their economy and living situation.

40. The representative of Belarus deeply regretted the absence of the Palestinian speakers, which illustrated the need to bring peace to the Middle East. There was not much ground for optimism, but his Government would continue to support the Palestinian people in their aspirations for dignity, peace, stability and economic prosperity.

II. SUMMARY OF THE PANELS

Panel I
The crisis of 2000-2001: the impact of Israeli policies on the Palestinian economy

41. The first panel, entitled "The crisis of 2000-2001: the impact of Israeli policies on the Palestinian economy", heard a keynote address by Nasser Al-Kidwa, Permanent Observer of Palestine to the United Nations.

42. **Nasser Al-Kidwa** said the fact that he had to speak as a substitute for Maher Masri, Minister for Economy and Trade of the Palestinian Authority, who had been prepared to deliver the keynote address, illustrated the dangerous situation that the Palestinians were facing. He said the current crisis had begun immediately after the start of former Israeli Prime Minister Ehud Barak's tenure. A major issue revolved around the failure by Israel to implement the agreements already reached, in particular the redeployment of Israeli forces in the Occupied Palestinian Territory. Mr. Barak had implemented only those agreements explicitly approved by his predecessor, former Prime Minister Benjamin Netanyahu. The continuation of the settlement policies, including further confiscation of land, was another problem. The combination of those issues with the events of September 2000 and the extreme use of force by the Israelis served to undermine the positive impacts of substantial positions taken by the same Government in the peace negotiations.

43. He deplored that it had not been possible to reach agreement before the recent Israeli elections. The current Prime Minister elect, whose name was linked with the massacres of Sabra and Shatila and synonymous with war, had won with the lowest turnout of voters in Israeli history. He had invited the Labour Party to form a "Unity Government". The Labour Party, however, would only provide a cover for the actions of Mr. Sharon. Given his background and the political positions on which he ran for election, it was impossible to imagine any serious progress in the peace process. The new Government had indicated that the important positions presented by former United States President William Clinton or Prime Minister Barak were no longer on the table. Moreover, Mr. Sharon had stated that he would not negotiate any agreements as long as the violence continued, even though the violence was being perpetrated against the Palestinians.

44. Nasser Al-Kidwa drew attention to the fact that the last few months had witnessed an extremely dangerous pattern of Israeli behaviour, which included the wilful killing of civilians — using sharpshooters even when there were no disturbances or any threat to the Israelis, imposition of collective punishment and bombing and shelling of populated areas and buildings belonging to the Palestinian Authority. Those actions constituted grave breaches of the Fourth Geneva Convention and other instruments of international law and many Security Council and General Assembly resolutions.

45. He continued that, at the economic level, the Israeli authorities had systematically aimed to destroy the Palestinian economy with severe restrictions on the movement of Palestinian goods between the territories themselves, between Israel and the territories, between the territories and Jerusalem and between areas within Gaza. They had destroyed economic facilities such as factories and fields and they withheld revenues from value-added tax and other taxes amounting to a theft of between $50 million and $60 million per month. He outlined actual losses incurred by the Palestinian Authority in the areas of trade and labour, including the destruction of infrastructure that amounted to $1,598 million: a $418 million loss in labour, $52 million loss of tourism and $200 million in agricultural losses. Those costs would mount unless the peace process was re-established and the closure was lifted. The situation called for increasing economic support, but more importantly, emergency support in humanitarian assistance and to meet the running costs of the Palestinian Authority.

46. He went on to say that the international community should take a clear political position to the effect that current Israeli policies would not be tolerated. There had been a 70 per cent positive response to the call for a reconvening of the Conference of the High Contracting Parties of the Geneva Convention. Moreover, the Security Council had to deal once more with the issue of protection of Palestinian civilians, specifically with the establishment of a United Nations observer force. The Council had voted on the establishment of such a force and although there were no negative votes, the resolution did not receive the necessary nine votes. Many of those who had abstained, however, indicated that their problem was that the timing was not right. He thought that next time the resolution would receive the necessary positive votes and he hoped no permanent member would cast a negative vote. He concluded by saying that the Palestinians risked losing everything they had built over the last seven years. Every effort should be exerted to stop that trend and to re-establish the peace process.

Panel II
The role of the United Nations system: assessment and efforts to alleviate hardships

47. The second panel, entitled "The role of the United Nations system: assessment and efforts to alleviate hardships", comprised six presentations by representatives of United Nations system entities.

48. **Francis Okelo**, Deputy United Nations Special Coordinator for the Middle East Peace Process, said the UNSCO mandate was to marshal resources in support of the peace process and to act as the Secretary-General's Personal Representative to the Palestinian Authority and the Palestine Liberation Organization. The Coordinator, Terje Rød-Larsen, had worked relentlessly to help the parties to end the violence and continue the negotiations, encouraging them to reach agreement on at least an outline. There was a new Government in Israel and its policies had still to be spelled out and tested, but he expressed hope that the parties would resume the peace process.

49. In the last four years UNSCO had reported every six months on the state of the Palestinian economy. In the last four months, attention had been focused on the social and economic impact of the violence and restrictions. According to the latest report, covering the period from October 2000 to January 2001, the situation was grim. The economy had suffered losses of over $900 million. The total estimated loss in the last four months arising from restrictions of movement was estimated at 50 per cent of the gross domestic product (GDP) and 75 per cent of wage income earned by Palestinian workers in Israel. The total loss was estimated at $1,150.7 million, equal to 20 per cent of the projected GDP for the year 2000, assuming no border closures. That equalled a loss of about $11 million per working day. In addition, there had been considerable damage to public buildings and infrastructure, private property and agricultural land, costs for caring for the more than 11,000 injured Palestinians and in public revenue losses resulting from the closures. He went on to say that there were other losses that could not be quantified. The consequences of the loss of life were incalculable. Since the beginning of the crisis, there had been a 50 per cent rise in the number of people living below the poverty line, bringing the poverty rate up to 32 per cent, from 21 per cent previously. In times when the closures were slightly eased, there had been a decline in unemployment, but the latest average unemployment rate was 38 per cent, as compared with 11 per cent in the first nine months of 2000. Given the high dependency ratio in the Palestinian Territory, that level of unemployment affected the incomes of over 900,000 people.

50. When the crisis began, a task force of United Nations agencies, non-governmental organizations and the donor community had been brought together to address the emergency medical needs of the Palestinians and had raised $12 million. Another area of assistance was the coordination of donor assistance to the Palestinian Territory, bringing together donors, United Nations agencies and other interested parties. Mr. Okelo warned that security could not be built on uncertainty and peace could not be built on anger. The Special Coordinator had met with Palestinian and Israeli leaders. He had stressed that the Israeli closure policy was counterproductive and had to be rescinded. The crisis was real and threatened the existence of the Palestinian Authority. The situation in the West Bank and the Gaza Strip was volatile. There was a risk of greater violence, which could only produce a "lose-lose" situation. The international donor community should realize that the point had been reached where emergency relief and humanitarian assistance should be provided to the Palestinian people.

51. **Dayendra Sena Wijewardane**, General Counsel at UNRWA in Gaza, indicated that, as at 16 February 2001, 335 Palestinians had died as a result of the violence since late September 2000. Of those killed, an estimated 42 per cent were UNRWA-registered refugees. He highlighted two issues that affected the Agency's ability to fulfil its mandate properly: its financial situation and the restrictions placed on its ability to move its human and material resources to the refugees in need. Through UNRWA, the United Nations discharged part of its responsibility with regard to the Palestinian question. Its strength was that it was a pragmatic, action-oriented agency, with flexibility and ability to adjust to changing circumstances. It provided assistance to refugees in Jordan, Lebanon, the Syrian Arab Republic, the West Bank and Gaza Strip. Its education programme covered general education, teacher training and vocational and technical education, with an additional scholarship subprogramme. Its health care programme remained focused on comprehensive primary health care. Its relief and social services programme supported those Palestinian refugees who suffered the most and promoted self-reliance. Over time it had added other programmes, such as income-generation. Assistance was delivered through some 900 facilities, including over 420 schools and over 120 medical clinics. It employed some 22,000 staff to carry out its humanitarian work. It was financed almost entirely by voluntary contributions from Governments and continued to face a precarious situation, which had been exacerbated by the ongoing violence. In the West Bank, demand for medical supplies and drugs had increased dramatically in recent months. Moreover, the population was increasing by 5 per cent a year.

52. Mr. Wijewardane stressed that since the beginning of October 2000 all entrance/exit points to the Gaza Strip and the West Bank had been closed. The main economic impact was the loss of income and the restriction of the flow of commodities into and out of the Territory. There had been an almost total loss of the flow of Palestinian labour into and out of Israel, a large percentage of which were refugees. UNRWA was attempting to assist the most vulnerable. On 4 October 2000 it had launched a flash appeal for $4.8 million. That target had been fully met. In November another appeal had been launched for a much larger sum, $39.3 million, which was to be followed by yet another appeal. He hoped they would be met with the same positive response.

53. He deplored the fact that Israeli measures implemented as a result of the disturbances that started in September 2000 had placed extreme restrictions on the Agency. The Israelis authorities had decreed that all commercial trucks and trailers must cross through a specific crossing point, which UNRWA also had to use, and pay charges, as well as comply with difficult haulage procedures. Moreover, because of lengthy delays, the Agency's cargo built up at the port, with commensurate charges levied on a daily basis. The security procedures also held up the flow of essential aid to the Palestinian people. Instead of facilitating the Agency's operations, the Israelis had impeded them, which contributed significantly to the financial crisis. He concluded that despite its precarious financial situation and the restrictions on movement, UNRWA continued to be a major factor of stability in the area.

54. **Franz-Josef Homann-Herimberg**, Special Adviser at OCHA, said coordinated planning and response was a critical element of the Office's activities. Where there was a clear humanitarian need for which there was no existing agency, an ad hoc group would be established. One such group was attempting to deal with emergency job creation in the Occupied Palestinian Territory. In that respect, OCHA had initially focused on emergency planning and the creation of a database, since an effective humanitarian response required an enhanced capacity to analyse the problem so as to identify what was needed and how it could be delivered. Another aspect of the Office's work was to target and monitor

humanitarian and socio-economic conditions. Examples included the impact of the emergency situation on things as varied as households and municipal budgets, the scope and effect of non-official development assistance and the impact of permanently reduced flows of Palestinian labour to Israel. The locales to be targeted initially would be those most affected by the current crisis. Information and analysis would enrich the data collection for the database. He deplored that the movement of humanitarian personnel and commodities had been severely restricted. The West Bank had represented a particularly complex issue and there was a need for monitoring and a more accurate collection of information. A more coordinated approach to addressing the situation in the territories would help in responding to the current crisis and building a stable platform for the future.

55. **Nader Atta**, Programme Management Officer at the UNDP Programme of Assistance to the Palestinian People, pointed out that the Programme was not the usual UNDP office. It had implemented 300 projects over a 21-year span and had a multisectoral focus. It had a quick delivery system in normal and emergency situations and had currently distributed over 90 per cent of the funds received. It was trusted by donor countries as an implementing agency. Japan was by far the largest donor, followed by Norway, the European Union and the United States. The operating requirements of the unit were flexible and it could adapt its rules and regulations according to the situation on the ground. It was fully independent within the framework of authority delegated to it by headquarters. Referring to the ongoing crisis situation in the Occupied Palestinian Territory, he said the blockades and closures were preventing any movement. During a slide presentation he showed Israeli checkpoints that blocked traffic and prevented goods from being transported. The Programme of Assistance was trying to maintain its activities despite the constraints. It was developing emergency response programmes on health, education, emergency employment-generation and agricultural employment, for which donor money as well as UNDP core resources were being used. UNDP was talking with potential donors. The situation was extremely dire. While agency personnel could move around, they were often prevented from getting to places where they were needed. He warned that the international community needed to act swiftly to prevent a collapse of the Palestinian Authority.

56. **Salam Fayyad**, Senior Resident Representative of IMF in the West Bank and Gaza, said it had been envisaged early on that the Palestinian Authority would not have sufficient resources to carry out the establishment of its administration. Governments had transferred funds to support its budget, but the Authority was still in a difficult fiscal situation. As a consequence of the situation on the ground, nearly half of the people had lost their major source of income. During a typical closure month, there could be a loss of $45 million. The Government of Israel had transferred money in November and December 2000, but had made no transfer of owed revenues to the since 20 December 2000. Assuming that the Authority would eventually receive that money, it would still be in great difficulty to pay its monthly wage bill of $55 million, as its revenue-generating capacity had declined substantially. Even if it could collect money due from Israel it could not pay its wages. If the situation were to normalize tomorrow, the Palestinian Authority would need an infusion of about $40 million a month for the next six months. Budgetary assistance was not normally popular with the donor community, but it was impossible for the Palestinian Authority to generate the required funds on its own. It was critical to address the fiscal crisis. He emphasized that another area to be addressed was the need for emergency job creation. Implementation of development projects was impossible. Perhaps donors could reorient their commitments to relieve the fiscal situation. The Palestinian Authority could repay those funds when the situation normalized, when it could generate $90 million a month on its own.

57. Speaking from the floor, **Giuseppe Masala**, WHO Coordinator in the Occupied Palestinian Territory, said the conflict in the region was taking an increasing toll on health, not only with regard to the high level of injury and psychological trauma, but also in undermining the newborn referral system that had begun to develop. Hospitals and health facilities had been overwhelmed by the sudden burden of patients. Medical vehicles had been damaged and put out of action. The ongoing military activities and the closure of borders restricted the movement of health personnel and patients. Cities and territories, which had developed a working referral system, were cut off from each other and from their rural areas. He said the health system was also being indirectly affected by the economic losses suffered, which in the first three weeks of the clashes were reported to have exceeded the total value of donor disbursements to the Palestinian Authority in the first half of the year 2000. The Palestinian Authority's Ministry of Health had only recently taken responsibility for the health care of Palestinians. The current situation was jeopardizing years of effort and risked activating unsustainable duplication of services and facilities. At the same time, public services had begun to deteriorate, both increasing the risk of disease outbreaks and undermining the ability to maintain early warning surveillance activities. Mr. Masala highlighted some of the initiatives carried out by WHO in the past years that included the Essential Drug Programme and preparation of the National Drug Formulary, brucellosis control and food safety, protection of springs and wells and surveillance of quality of drinking water. Also included were rehabilitation of the primary health care network and programmes for rehabilitation, immunization and polio eradication. Since the current crisis, WHO was involved in the purchase, shipment, clearance, distribution and delivery of emergency traumatological kits, medicines, medical supply and equipment. A crucial issue was that of accessibility, which was tackled with humanitarian convoys pooling together the strengths of United Nations entities, donor countries, international and local NGOs and the Palestinian Authority. He said the Ministry of Health faced a number of challenges: existing services were overloaded by excessive demand for emergency medical care; emergency medical services and ambulance staff were working overtime. Training was needed for new personnel or refresher courses for current staff; there was an acute shortage of stock, demanding greater efficiency and targeting the most needy; and there was a need for better management of donations. WHO, provided it was granted the appropriate resources, was ready to support the Palestinian Authority's Ministry of Health in establishing emergency preparedness and planning units to prepare for the future health system development plan.

58. A paper prepared by **Raja Khalidi**, Coordinator of Assistance to the Palestinian People in the Division on Globalization and Development Strategies of UNCTAD, was circulated to seminar participants, owing to pressing time constraints. In the paper, UNCTAD pointed to the unprecedented deterioration in all sectors of the Palestinian economy and stated that, in a matter of months, the discussion had turned from hopeful prospects for development and cooperation to a gloomy assessment of crisis, hardship and separation. More than ever, the Palestinian economy was affected by the impact of protracted occupation, as demonstrated by an impoverished economy, an inadequate infrastructure and a weak industrial base. Tentative achievements in building credible public institutions, an effective public finance system and a private sector capable of mobilizing the resources for sustaining growth were now seriously threatened with reversal. UNCTAD was pointing to the necessity of reorienting the Palestinian economy towards integration with regional and global markets. Relations with the Israeli economy should be more balanced and mutually beneficial. Integration of the Palestinian economy with neighbouring Jordan and Egypt was a priority. Integration efforts should focus on coordination and harmonization of monetary and fiscal policies, as well as infrastructure, trade and industrial development projects, and formulation of regulations governing economic transactions within the region. UNCTAD remained committed to setting the stage for sustained economic development of the

Palestinian economy and would continue its programme of commercial diplomacy training and trade policy advisory services.

Panel III
Assistance by Arab and Islamic States and intergovernmental organizations to the Palestinian people

59. The third panel, entitled "Assistance by Arab and Islamic States and intergovernmental organizations to the Palestinian people", comprised three presentations by representatives of Islamic and Arab institutions.

60. **Said Kamal**, Under-Secretary-General and Head of the Palestine Affairs Department of LAS said the core of the problem was Israel's continued prevarication and evasion of implementing signed agreements. LAS, which traditionally concentrated on political aspects, had turned its attention to economic development and reconstruction in the Palestinian Territories since September 1994. A department had been set up to undertake development, reconstruction and assistance to the Palestinian people. In view of the recent deterioration of the situation, at its Cairo summit in October 2000, the League had assured the Palestinian people of its support for the intifada. The Arab leaders decided to set up two funds: the Intifada Al-Quds Fund, with a capital endowment of $200 million, was allocated to support families of the intifada martyrs, finance the education of their sons and heal the injured. The second fund, the Al-Aqsa Fund, had been established with a projected capital of $800 million, to be allocated to finance projects protecting the Islamic and Arab identity of Jerusalem and enabling the Palestinian people to develop its own economy and overcome the blockade and isolation imposed by the Israeli authorities. The Arab Ministers of Finance met in Cairo in November 2000 to establish a mechanism for the two funds. A number of Arab countries had announced their contributions and several States had transferred the total or part of their contribution to the IDB in Jeddah. Mr. Kamal described the declarations and payments of contributions by Arab States. He also pointed out that there had been significant contributions from the Arab private sector. The Bank had proposed a number of projects and programmes to the Administrative Committee of the two funds. In response to a question, he said the money was under the umbrella of the LAS but it did not control its disbursal.

61. He recalled that the February 2001 session of the Arab Economic and Social Council had discussed in detail the economic circumstances of the Palestinian people and their need for assistance. The Council had called for more support to ease the critical situation in the Palestinian territories. Arab leaders had decided to take measures to help the Palestinian economy and to help it to survive in the face of the Israeli restrictive policies. That would be achieved by allowing Palestinian goods and products to enter the Arab countries and exempting them from customs and other duties, in addition to accrediting Palestinian certificates of origin and discussing ways of eliminating Israeli impediments to the free flow of Palestinian goods and products.

62. **Abdelaziz Aboughosh**, Assistant Secretary-General of the OIC, reaffirmed his organization's position to coordinate with the respective international and regional organizations efforts to achieve a just and comprehensive peace in the Middle East. In his assessment, the failure of resolving the final status issues and the subsequent Israeli criminal aggression against the Palestinian people caused the current crisis. The international community should have intervened to bring to an end that brutal aggression and help the Palestinian people regain its national rights, including the right to political and

economic independence under a Palestinian State with Holy Al-Quds (Jerusalem) as its capital. The principal activities of OIC were to support the Palestinian people and their intifada. Two funds totalling $1 billion had been established. Official and private Islamic institutions had made contributions, such as providing medicine and financial help to the families of the martyrs. Institutions affiliated with OIC, such as the IDB, had made decisions to support the Palestinian economy, providing for facilitated entry of Palestinian goods to Islamic States' markets and their exemption from tax.

63. He pointed to the vast popular support extended by the people in all parts of the Islamic world. Millions had taken to the streets to demonstrate their support to the Palestinian people and the intifada. The media in Islamic States also played an important role in informing their constituencies about the Israeli brutality, which increased the suffering of the Palestinian people day by day. In conclusion he called upon the international community to live up to its responsibility and to accelerate assistance to the failing Palestinian economy. It should adopt the necessary measures to stop the Israeli aggression, protect the Palestinian people and insist that the Israeli Government implement Security Council resolutions 242 (1967) and 338 (1973) of 22 October 1973, as well as General Assembly resolution 194 (III) of 11 December 1948 on the right to return.

64. **Walid Abdewahab**, Senior Project Officer at IDB, informed participants about action taken by the Bank to put into operation the Al-Aqsa Fund and the Intifada Al-Quds Fund as established by the Arab Summit at its meeting in Cairo in October 2000. IDB had been requested to administer the funds and had developed respective operational policies and guidelines. It had prepared five emergency programmes aimed at assisting the families of the martyrs, treatment and rehabilitation of the injured and disabled and provision of emergency medical equipment and supplies, totalling $7.5 million. Furthermore, IDB had developed in consultation with the Palestinian Authority seven programmes and projects aimed at job creation, rehabilitation and rebuilding of damaged buildings and properties, rehabilitation of damaged agricultural lands and assets, provision of medical equipment, micro-financing and others. Funds in the amount of $37.5 million had been allocated to those projects. Six other projects had been prepared aimed at job creation, integrated agricultural development, provision of equipment and training for the Gaza Civil Defence Department and provision of medical equipment to hospitals, totalling $45 million. In all, IDB would have processed approximately $90 million within 100 days of the establishment of the Funds. Without losing the focus on long-term sustainable development, the projects and programmes approved and to be approved by the Funds Management Committee included mostly labour-intensive projects with a quick implementation mechanism through the adoption of flexible/relaxed procurement and disbursement procedures. On the fiscal side, the transfer of funds to the Palestinian Authority by IDB from the resources of the two funds was not a feasible option, because it would require modifying the mandate given to IDB by the Arab Summit.

Panel IV
Efforts by international donors and other sectors of the international community to alleviate the economic hardships of the Palestinian people

65. The fourth panel, entitled "Efforts by international donors and other sectors of the international community to alleviate the economic hardships of the Palestinian people", comprised five expert presentations as well as several interventions from the floor.

66. **Roby Nathanson**, Chairman of the Israeli Institute for Economic and Social Research in Tel Aviv, said he did not have any easy solutions to the tension in the area. Peace was inevitable, but the price to be paid until it arrived would determine its quality. To minimize the cost of achieving peace for both sides, economic steps must be taken not as ends but as means. Israel and the Palestinian Authority had a basis for cooperation that was awaiting exploitation once the political obstacles had been removed. Because of the restrictions on local and cross-border economic activity in recent months, the Palestinian economy had more or less stalled. Israel's economy had also been affected. In the last quarter of the year 2000, growth in Israel fell by almost 10 per cent, with a decline in construction, tourism and local and foreign investment. Israel's economic ties with its trading partners had also showed some decline.

67. Mr. Nathanson proceeded to review three possible scenarios for the future: the first was total separation, involving the establishment of hermetic borders between Israel and the Palestinian Territory. Palestinian income would decline dramatically and Israel would be forced to import greater numbers of wage earners from foreign countries. Israel's dwindling export surplus to the West Bank and the Gaza Strip would plummet, causing an additional decline in the gross national product (GNP) for both parties. The cost involved made that scenario inoperable, all the more so if one took into account the high cost of constructing a hermetic border, which could rise to $2 billion. A second scenario would entail maintaining the status quo with some modifications. It reflected current prospects for a long, drawn-out interim period until the tension subsided and an interim peace agreement, at the very least, was signed. That scenario linked the future of economic relations directly to a political solution and appeared the most probable at that time. In his view, the preferred long-term scenario would be a third one, that of regional cooperation. Arrangements in other parts of the world, where institutionalized cross-border markets had been created after centuries of conflict, served as important precedents and also showed how bottom-up initiatives could provide a basis for establishing cooperation at higher levels. "People-to-people" and "business-to-business" projects would offer options for solving a range of economic problems and easing unemployment relatively quickly. Some form of economic cooperation could be established that would be partially independent of the political solutions on the national level. He expressed doubts that whatever was expected to follow in the wake of Oslo could be realized in the time frame envisaged. Economic outcomes anticipated by many Israelis were to some degree delusions. For its part, the Palestinian leadership should understand that the economic price the Palestinians were paying for their political agenda was so severe that they would have to answer to their own people sooner or later. There must be acceptance that the two economies were integrated and that neither was independent of the other. The most critical problem was unemployment, which could only be relieved by creating jobs, first and foremost in the Palestinian areas. Freedom of movement was among the most important incentives for reawakening local economic activity and cross-border cooperation, therefore the policy of border closures and internal blockages should cease. At the same time, much had to be done on the Palestinian side to restore confidence. Boycotting Israeli products might be neither efficient nor constructive for either side. To solve unemployment, the Palestinians had to turn to institutional bodies, major corporations or Governments, in Israel and abroad, with requests to develop operable programmes of capital investment in the Occupied Palestinian Territory, while at the same time a greater number of permits for work in Israel should be issued. In the longer or medium term, foreign markets must become more accessible to Palestinian exports, in particular agricultural products.

68. In conclusion, Mr. Nathanson said a Palestinian State was the necessary response to many of the economic problems besetting both the Palestinians and Israel. Many Israeli economists and

politicians shared his view that there was no alternative for either party. Of course, for regional cooperation and development to progress, a structure of formal cross-border institutions and arrangements was required. Cooperation between the two sovereign States was the only way to guarantee individual and national well-being. Responding to questions and comments, Mr. Nathanson said that economic cooperation needed peace and peace needed economic cooperation. He agreed that after the Oslo agreements there had been the delusion that one could proceed with economic cooperation before there was a final settlement to the conflict. It was his understanding that the exercise was to try and see what could be done in the meantime. Israel had a role to play and there was no other way but to work it out together with the Palestinians. It was not the usual kind of colonialism but a relation between two peoples whose destiny was to live together.

69. **Matthias Burchard**, Economic Adviser to the Special Representative of the European Union to the Middle East Peace Process, emphasized that the Palestinian economy was on the verge of collapse and the administration was finding it increasingly difficult to deliver services. What had been achieved since 1993, with the support of the international community, was threatened with destruction. There was severe humanitarian hardship. Most worrying was the cost of violence in terms of dead and wounded on both sides. There must be an end to the violence, a return to the negotiating table and achievement of a just and lasting peace, in which both sides would feel their legitimate concerns and aspirations had been met. He said domestic economic activity in the Occupied Palestinian Territory was down 50 per cent and potential tax revenue was reduced by 44 per cent. The GNP was estimated to have dropped by 30 per cent and daily losses equalled 12 million euros. Imports from third countries had fallen to 15 per cent of the pre-intifada level and tourism had come to a standstill. Most worrying, however, was the present budget gap, which, even if Israel resumed its transfers, would amount to 44 million euros per month; the high unemployment, estimated at close to 45 per cent; and disrupted government–constituency relations and increased inability of the Palestinian Authority to deliver basic services, which led to the erosion of its authority and the emergence of new self-governing substructures.

70. Immediate needs had to be addressed urgently and decisively in order to avoid an economic and humanitarian disaster. To have the desired effect, financial assistance should be complemented by political efforts. The assumption was that in the near future restrictions on the Palestinians would continue. The preferred option would be that Palestinians and Israelis returned to a situation in which they shared common economic interests and appreciated the economic advantages they could offer each other. Until that time, however, any strategy needed to look at how the dependence of the Palestinian economy on the Israeli one could be reduced and diversified. A strategy of diversification would have to address issues in the political, institutional and economic spheres. In the political sphere, a meaningful recovery would require lifting the internal closure; resuming timely revenue transfers to the Palestinian Authority from Israel; full Palestinian customs control at border crossings with Jordan and Egypt; reasonable Israeli security checks at those borders; point-to-point movement of goods (one truck, one check); and infrastructure facilities like cargo and cool storage at borders. In the institutional sphere, the Palestinian administration would have to embark on a meaningful reform in order to avoid further deterioration. Based on the results of a recent evaluation financed by the European Union and conducted by the United States Council on Foreign Relations, Chairman Arafat committed himself to reinvigorating his administration, but the recent violence had stopped progress in that direction.

71. Turning to the economic sphere, Mr. Burchard said that although the natural ally of the Palestinian economy was the Israeli market, the continuing restrictions made it necessary to develop alternative trade routes and diversify away from high-cost products to low-cost ones. The Palestinians already enjoyed the freedom to import restricted goods from Arab countries at their own preferential custom rates. LAS had promised to grant the Palestinian Authority duty-free access to its markets. Israeli exports to the Palestinian Authority were worth some $2.5 billion, whereas the Palestinians sold to Israel about $500 million worth of goods. Diversifying out of such dependence was a long-term process, but it would lessen the impact of crises. Discussions on such a strategy should be led by the Palestinians themselves. He pointed out that the European Union had contributed significant funds in aid to the Palestinians and had made considerable efforts to promote the implementation of bilateral agreements, such as the Paris Economic Protocol. It had conveyed its concern about the economic situation to Israel. Donors could not be expected to pick up the bill time after time and see the fruits of their taxpayers' money being destroyed through repeated political disasters. Both parties needed to consider that that generosity could not be taken for granted indefinitely.

72. **Ziad Asali**, Chief Operating Officer of the American-Arab Anti-Discrimination Committee, focused on the role of the United States Government in providing aid to both the Israelis and the Palestinians and its effect on events in the region. He said that the US assistance to Israel was usually estimated at $3 billion per year — $1.2 billion in economic aid and $1.8 billion in military aid. The actual total, however, could be as high as $5.5 billion, as much of the aid was buried in the budgets of government agencies, mostly the Department of Defence, or was allotted in a form that was not easily quantifiable. A recent report estimated that cumulative aid to Israel from 1949 through 2001 was $91.36 billion. In addition, the United States underwrote billions of dollars of loans in the form of guarantees on Israeli borrowing. The United States routinely waived all Israeli loans that came due, thus effectively turning them into grants. US aid to the Palestinian Authority, on the other hand, ran at about $100 million per year since the mid-1990s, with the sum total over the past seven years equalling about $600 million. Unlike economic aid to Israel, which was given directly in cash without requiring accounting of how it was used, aid to the Palestinian Authority was strictly controlled by the United States Agency for International Development and specified for particular programmes. In contrast to the relatively unconditional aid to Israel, there had been many attempts to create additional policy conditions and restrictions on US aid to the Palestinian Authority. The Wye Agreement demonstrated the disparities involved: all of the $400 million promised to the Palestinian Authority in the agreement was for economic aid, whereas all of the $1.2 billion for Israel was for specific military projects. Israel's aggressive response to the uprising, its use of excessive force and its disregard for the findings of the Security Council and the Commission on Human Rights, could be seen as based on the massive economic and military aid it received from the United States. In recent decades, especially under the Clinton Administration, that aid was granted and increased, irrespective of Israel's behaviour, giving it a sense of impunity and disregard for international law.

73. Mr. Asali went on to say that US military aid played a substantial part in the mechanics of Israeli repression in the Occupied Palestinian Territory. The military hardware Israel received was used against Palestinian civilians, even though US law required that such weapons could only be used in self-defence. Israel's use of US-made and -derived helicopters and ammunitions in its policy of extrajudicial executions also directly contradicted US law. At the same time, the United States had used what little aid Palestinians received as leverage on behaviour, which did not challenge Israeli policies and ambitions. Israel's use of economic warfare against Palestinians and the failure of the international community, including the Arab States, to adequately meet the challenge of those Israeli

policies had led to a situation in which the Palestinian Authority found itself on the brink of bankruptcy. Such circumstances, Mr. Asali concluded, only increased the effect of the disparity in US aid to the two parties in perpetuating an unequal relationship and creating conditions that seriously complicated the achievement of a just and lasting settlement to the conflict.

74. **Gil Feiler**, Executive Director of Info-Prod Research (Middle East), pointed out that it was not in Israel's interest to have a poor neighbour. A well-developed Palestinian economy would be better for Israeli security and economy. There was no alternative to economic cooperation or relations between Israel and the Palestinian Authority. Israeli exports to the Occupied Palestinian Territory equalled over $2 billion per year, second only to its exports to the United States. The Palestinian exports to Israel constituted 95 per cent of its total exports of $500 million. In the current situation, Israelis flocked to neighbouring Arab countries to purchase goods. Prior to the intifada, the largest group of people interested in investing in the Palestinian Territory were Israelis. The Palestinian Authority would not allow Palestinian entrepreneurs to engage in joint ventures with Israelis, although the Palestinian Authority itself was involved in joint ventures with large Israeli companies and jointly owned with them large cement and petrol monopolies. Since Jordan had given clear signs that Israeli businessmen could engage in joint ventures in Jordan, most of the Israeli businessmen went to that country. As a result, 7,000 Jordanian families enjoyed the fruits of joint ventures with Israel. He said that a recent study indicated that Israelis no longer intended to invest in Palestinian businesses.

75. He continued that, for the Palestinians, several major sources of income had been lost, including income from jobs, from trade in areas where Israelis shopped at the weekend and owing to the non-transfer of taxes. Also, unemployment was rising because of lack of raw materials. It was not certain that the Palestinian Authority would be able to collect taxes itself, as Palestinians hardly paid taxes. In that area, Israel was doing the Palestinians a service. Other losses stemmed from lack of income from the casino and from tourism. Hundreds of thousands of legal and illegal workers had taken the place of Palestinians who used to work in Israel, creating a problem for both parties. From the Israeli perspective, it was better to have Palestinians who came to work in the morning and returned home in the evening. He also said that Palestinians owed large debts to Israeli businesses and some businessmen had asked the Israeli Government to deduct payments from the taxes due to the Palestinian Authority. Boycotting Israeli products would be counterproductive. He noted that the boycott was extended to anyone who cooperated with Israel. He said drastic measures should be taken. Full peace between Israel and its neighbours was important for Israel. He called on participants to imagine a meeting between Messrs. Arafat and Sharon, in which they would say clearly that they supported joint ventures. That would create trust, not only for Israelis but also for the international community. International donors should create a fund to support joint ventures.

76. **Aline Batarseh**, Communications Officer with World Vision in Jerusalem, said her organization was a member of the Association of International Development Agencies, a group of over 40 international non-governmental organizations (INGOs) working with Palestinian communities. Since the eruption of violence following Ariel Sharon's provocative visit to the Al-Haram al-Sharif, INGOs had attempted to address the emergency needs of Palestinians in East Jerusalem, the West Bank and Gaza Strip. Closures were a symptom of 34 years of Israeli military occupation and the need for an INGO presence in the Occupied Palestinian Territory was a result of Israeli discriminatory policies, which prevented Palestinian areas from being fully developed. The economic impact of closures had been devastating, stopping or severely restricting access to nearby towns and villages, medical services, goods and workplaces. The West Bank now had an estimated poverty rate of 30 per cent, compared

with 21 per cent in the absence of closures. Closures created a need for employment, psychological programmes for children and caregivers, medical supplies and food commodities. Ms. Batarseh said that most of the jobless had been poor before the recent crisis. International organizations had been considering the pursuit of funds for job creation programmes. She reviewed the efforts of some INGOs, stressing that job creation was a stepping stone to establishing lasting programmes. Other areas included aid to children and medical aid. During the first three months of the intifada, most INGOs had provided much-needed medicines and medical supplies as hospitals and clinics were unable to maintain adequate stocks. They had also provided food, as there was concern that the closures could lead to a shortage of food supplies, especially for the vulnerable poor. World Vision had provided basic food supplies to approximately 3,600 desperate families in the West Bank. Currently, INGOs were assessing the risk of food insecurity among the communities most affected by the violence. Unfortunately, most of them were not able to carry out new food distribution programmes.

77. Ms. Batarseh affirmed that humanitarian aid delivery had been hindered by Israeli restrictions and noted that on five occasions the Israeli military had prevented World Vision from transferring much-needed medical supplies to Gaza. Even though international organizations attempted to assist Palestinians through development projects, Israel's policies and violations of international humanitarian law hampered their work and efforts to carry out sustainable long-term projects. For instance, World Vision's work in three West Bethlehem villages had been hampered numerous times because of Israel's policies of land confiscation, whereby the villages had lost over 50 per cent of their lands to the construction of an illegal settlement. If the Israeli Government did not comply with international laws and put an end to the occupation, attempts by INGOs to help Palestinians retain their livelihood would be in vain. She recommended that INGOs concentrate on long-term versus short-term alleviation of economic, social and political hardship. Existing programmes should be flexible to incorporate methods of alleviating the suffering of those who were most affected by the current crisis. Attempts to alleviate the economic hardship of the Palestinians should be joined with advocacy efforts on their behalf. The international community should find a way of challenging the primary source of the Palestinian's misery, the Israeli occupation.

78. **Martin Wilkens**, Minister at the Permanent Mission of Sweden to the United Nations (Vienna), spoke on behalf of the European Union. He said that the situation in the Occupied Palestinian Territory was a cause for great concern and worry to the European Union. Owing to the closures and the related imposition of fees for goods clearances and restrictions on the freedom of movement, the humanitarian actors faced time-consuming and costly obstacles to the transport of relief goods and personnel to those in need of assistance. He stressed that this situation was not acceptable and, on behalf of the Union, once again urged the Israeli Government to facilitate access for the humanitarian actors, so that they could continue to assist the Palestinian population unhindered and in accordance with humanitarian principles. Reviewing the contributions of the European Union to the Palestinians, he said that in the period 1994-2000 they had totalled $3.3 billion, including contributions to the UNRWA. The main fields of support were education, human rights, health, institution-building, water, infrastructure and the environment. Most of the support was channelled through the Palestinian Authority, but funds were also provided to Palestinian, Israeli and joint Palestinian-Israeli NGOs. In the recent economic and fiscal crisis, caused by the Israeli closures and withholding of tax and customs revenue, the European Union had supported the Palestinian Authority with cash facilities on a temporary basis. The European Union assumed that further support would be necessary and urged other donors to increase their contributions to help meet the severe challenges facing the Palestinian economy. A discussion of the long-term perspectives of the budgetary and institutional crisis was necessary. The European Union

would explore how best to mobilize and improve donor coordination. It supported the convening of an ad hoc liaison committee meeting within the next few months, with the active participation of the Palestinian Authority and the United Nations. To have a coherent donor response, the Palestinian Authority should provide coordinated and correct financial information as a basis for donor deliberations. Expressing support for UNRWA, he urged donors to come forward to ensure a sound and sustainable financial basis for the Agency.

79. Mr. Wilkens pointed out that the seriousness of the current situation required political action by the European Union and other actors. The Union had requested Israel to end the collective punishment against the Palestinians, lift the closures, ensure unrestricted humanitarian access, lift restrictions on clearance of goods for humanitarian and development assistance and fulfil obligations to the Palestinian Authority with respect to value added tax and customs clearance payments. The current economic crisis was unacceptable and threatened the stability of the region, the prospects for peace and Israel's own security. Both parties had a duty to minimize the tension between them. Improving the economic situation in the Occupied Palestinian Territory was an important element in that effort. The European Union condemned those, on both sides, who incited and resorted to violence.

80. **Pierre Galand**, Chairman of the European Coordinating Committee for Non-Governmental Organizations on the Question of Palestine, said NGOs had worked in particular to protect the human rights of the Palestinian people. Europe must become more active and live up to its responsibilities in the Middle East, in particular as regards the protection of the Palestinian people. He referred to a recent visit to the Occupied Territory and described how the bulldozers created barriers around the individual settlements. Assistance to the Palestinians was being blocked and obstacles were being mounted from day to day. He was opposed to any bantustanization of Palestine. The international community had to intervene more forcefully. Certain Israeli products were sold in Europe in contravention of agreements between the European Union and Israel. Referring to specific NGO action, he pointed out that every Friday protestors picketed the Israeli Embassy in Brussels demanding that United Nations resolutions be honoured. He proposed the establishment of an airlift between Europe and the Occupied Palestinian Territory, stating that if it had been done for Berlin, it could be done for the Palestinian people too, using the airstrip in Gaza. He said the Government of Belgium, together with a group of Belgian NGOs, had already started such a programme and would make its first airlift in March. Europeans had to be active citizens in the European Parliament, which, in turn, could be in touch with the Parliaments in the Middle East/Mediterranean region. The Euro-Mediterranean area should open up a new era of cooperation.

81. **Bernard Sabella**, representative of the World Council of Churches (WCC) said that all the Eastern, Orthodox and Catholic Churches respected the right of people to struggle against injustice and to gain freedom. He expressed deep sadness and grave concern over the new escalation of violence that had taken a terrible toll on human life. WCC shared the frustration and disappointment of its Palestinian sisters and brothers who suffered from the exclusion, humiliation and discrimination caused by restrictions on movement. Calling for an end to Israeli occupation, he said WCC would continue to assist Palestinians and pray for peace in the Middle East.

III. CLOSING SESSION

82. Closing statements were made by Faisal Aweidah, Permanent Observer of Palestine to the United Nations (Vienna), and Ibra Deguène Ka, Chairman of the Committee on the Exercise of the Inalienable Rights of the Palestinian People.

83. In his statement, the Permanent Observer of Palestine condemned, once again, the forced absence of the four invited speakers coming from the Occupied Palestinian Territory. He said that, nevertheless, other speakers had been able to highlight the alarming state of the Palestinian economy and the explosive situation in the Territory which was a result of the repressive policies of Israel, the Occupying Power. He expressed appreciation to the international donor community for its economic support of the Palestinian people. In particular, he thanked it for the recently provided humanitarian relief and emergency assistance. He emphasized the important role United Nations bodies and agencies were playing to mobilize international assistance and to deliver it to the population in need. In conclusion, he stressed that a lasting solution to the current crisis was only possible by ending the Israeli occupation of Palestinian land on the basis of the relevant United Nations resolutions.

84. In his concluding remarks, the Chairman of the Committee on the Exercise of the Inalienable Rights of the Palestinian People emphasized that the change of leadership in Israel at the beginning of February had undercut the momentum for reaching a final and comprehensive agreement. Since September 2000, the Occupied Palestinian Territory had been suffering under repeated closures, tight restrictions on the movement of people and goods, customs and tax withholding and other measures of collective punishment imposed by the Occupying Power. As a result, the Palestinian economy had suffered greatly and had come to the verge of collapse. The Palestinian people had been reduced to fighting for their survival and for the satisfaction of their basic day-to-day needs rather than working for long-term development.

85. He continued that the consequences of the situation, if it was not brought to a stop, were fraught with danger for peace throughout the region. The Committee once more called upon the donor community to continue with its assistance in order to meet the urgent needs of the Palestinian people. It requested donors urgently to contribute the funds needed to remedy the serious budgetary crisis that the Palestinian Authority was passing through at the moment.

86. He stressed that Palestinian economic rehabilitation and development were a prerequisite for peace in the Middle East. For peace to return and take root, a comprehensive, just and lasting political settlement must be coupled with a substantial improvement in the living conditions of the Palestinian people. Peace, security and prosperity go hand in hand for Palestinians, Israelis and the Middle East region as a whole.

* * *

ANNEX

Statement by the delegation of the Committee on the Exercise of the Inalienable Rights of the Palestinian People

On the eve of the opening of the United Nations Seminar on Assistance to the Palestinian People, the delegation of the Committee on the Exercise of the Inalienable Rights of the Palestinian People, the organizer of the Seminar, learned with utmost concern that the four Palestinian speakers invited to address the different panels of the Seminar were not able to travel to Vienna because of the general closure of the Occupied Palestinian Territory by Israel, the Occupying Power. The delegation of the Committee deeply regrets the absence of Maher Masri, Minister for Economy and Trade of the Palestinian Authority; Hassan Abu Libdeh, President of the Central Bureau of Statistics of the Palestinian Authority; Mohammad Shtayyeh, Managing Director of the Palestinian Economic Council for Development and Reconstruction; and Ghania Malhis, Director of the Palestine Economic Policy Research Institute. In addition, a number of representatives of Palestinian non-governmental organizations (NGOs) invited to participate in NGO consultations have been prevented from attending the meeting.

As a consequence, the Seminar participants have been deprived of the first-hand experience of the invited high-ranking Palestinian officials, their assessment of the economic situation at a time of severe economic crisis and daily hardship affecting the entire population of the Occupied Palestinian Territory.

The delegation of the Committee denounces the Israeli policy of closures, collective punishment and constant violation of the human rights of the Palestinians. Those illegal practices have affected the Seminar and may have detrimental consequences for the Committee's programme of work. Participants in the Seminar have criticized the forced absence of the Palestinian speakers. The delegation of the Committee urges the Israeli Government to desist from such illegal policies that jeopardize the dialogue of the international community with the Palestinian people within the framework of United Nations conferences and meetings.

The Committee on the Exercise of the Inalienable Rights of the Palestinian People will consider steps to be taken in view of the serious obstruction in implementing its General Assembly mandate.

United Nations E/2001/90

Economic and Social Council

Distr.: General
18 June 2001

Original: English

Substantive session of 2001
Geneva, 2-27 July 2001
Item 13 (o) of the provisional agenda*
Economic and environmental questions: Assistance to third States affected by the application of sanctions

Assistance to third States affected by the application of sanctions

Note by the Secretary-General

1. At its 45th plenary meeting, on 28 July 2000, the Economic and Social Council adopted resolution 2000/32, entitled "Assistance to third States affected by the application of sanctions". In paragraph 2 of that resolution, the Council welcomed the report of the Secretary-General (A/53/312) containing a summary of the deliberations and main findings of the ad hoc expert group meeting on developing a methodology for assessing the consequences incurred by third States as a result of preventive or enforcement measures and on exploring innovative and practical measures of international assistance to the affected third States, and invited States and relevant international organizations within and outside the United Nations system which had not yet done so to provide their views regarding the report of the ad hoc expert group meeting. In paragraph 4 of the same resolution, the Council decided to continue consideration of the question of assistance to third States affected by the application of sanctions, taking into account the relevant decisions of the General Assembly and the Security Council.

2. At its 84th plenary meeting, on 12 December 2000, the General Assembly adopted resolution 55/157, entitled "Implementation of the provisions of the Charter of the United Nations related to assistance to third States affected by the application of sanctions". In paragraph 7 of that resolution, the General Assembly took note of the decision of the Economic and Social Council, in its resolution 2000/32 of 28 July 2000, to continue consideration of the question of assistance to third States affected by the application of sanctions, invited the Council, at its organizational session for 2001, to make appropriate arrangements for this purpose within its programme of work for 2001, and decided to transmit the most recent report of the Secretary-General on the implementation of the provisions of the Charter related to

* E/2001/100.

01-41640 (E) 280601

assistance to third States affected by the application of sanctions, together with the relevant background materials, to the Council at its substantive session of 2001.

3. Pursuant to the aforementioned provisions of Economic and Social Council resolution 2000/32 and of General Assembly resolution 55/157, the report of the Secretary-General on the implementation of the provisions of the Charter of the United Nations related to assistance to third States affected by the application of sanctions (A/55/295 and Add.1) will be made available to the Council at its substantive session of 2001. The attention of the members of the Council is drawn to section IV of the report, which contains an update of the views provided by Governments and relevant international organizations regarding the report of the ad hoc expert group meeting and related issues of international assistance to third States affected by the application of sanctions. It will be also recalled that the communications received in 1999 from Governments and the relevant international organizations and institutions inside and outside the United Nations system on the same matter were summarized in the previous report of the Secretary-General (A/54/383 and Add.1).